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C O N F I D E N T I A L SECTION 01 OF 02 MONROVIA 000753

SIPDIS

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TAGS: PGOV EAGR ECPS EFIN MARR PREL SENV TRGY LI
SUBJECT: CHINA'S ENGAGEMENT IN LIBERIA (UPDATE)

REF: A. MONROVIA 359
 B. MONROVIA 738
 C. MONROVIA 744

Classified By: Ambassador Thomas-Greenfield for reasons 1.4 B and D.

¶11. (SBU) SUMMARY. According to the Chinese Embassy, China has committed \$88,347,400 in assistance to Liberia since 2006, contributing to all sectors of Liberia's Poverty Reduction Strategy (PRS) except Governance and Rule of Law. We understand that China was uncharacteristically outspoken during the UNSC debate in August over extension of the UNMIL mandate in support of the UNSG's drawdown proposal, despite pressure from other members for further cuts.

Liberian-Chinese relations remained warm through the summer, with a Liberian Olympic team heading to Beijing with much fanfare. We expect expressions of continued warm relations during Chinese National day October 1. President Sirleaf praised the Chinese for the swiftness of their no-bid implementation of development projects, but a potential strain on the relations may have occurred when the Cabinet decided to re-bid the lucrative Western Cluster deal rather than allow negotiations with China's Sino Steel. END SUMMARY.

¶12. (C) Since our last report on China's engagement in Liberia in May (ref A), the Chinese have continued both to increase their influence in Liberia while maintaining good cooperation with other donors. We have seen no indication in the last four months of any shift in China's policy of increasing access to Liberian markets. While the Chinese still see assistance as infrastructure projects, they are looking more at capacity building, especially in the agricultural sector, in which it has indicated an interest in cooperating with the United States. China remains a strong supporter of UNMIL and in August was outspoken about its support for the extension of the UNMIL mandate at the levels recommended by the UN Secretary General despite opposition from other UNSC members who pressured for a faster drawdown of UNMIL.

CHINA'S ASSISTANCE TO PRS

¶13. (SBU) Chinese Ambassador Yuxiao Zhou gave a presentation on China's assistance in country to the Liberia Reconstruction and Development Committee (LRDC) August 18. China has spent \$61,971,400 since 2006 on three of the four pillars of the PRS (all except Governance and Rule of Law). Of that, \$6.17 million went to the Peace and Security Pillar to cover computers, communications equipment, training for military and security officers in China, and the renovation of the Camp Tubman Military Base in Gbarnga; \$14.18 million went to the Economic Revitalization Pillar as direct budget support and debt cancellation and funded an initial mineral resources survey of promising mining sites in Liberia. The vast majority of China's support, \$41.618 million, went to the Infrastructure and Basic Services Pillar to cover projects like renovating the Ministry of Foreign Affairs and SKD Stadium, donations of farming tools, office materials, anti-malarial drugs, and school uniforms, funding a Chinese

medical team at JFK hospital, and construction of other hospitals and schools (see ref A for discussion of these projects in detail). The Ambassador indicated that China is committed to contribute an additional \$26 million to the Infrastructure and Basic Services Pillar thru the rest of 2008.

OTHER AREAS OF ASSISTANCE

14. (U) Although it is not counted as a direct contribution to the PRS, China sent Chief Justice Johnny Lewis on a cultural exchange to Beijing, Shanghai, and Shandong provinces for five days in August to see how Chinese courts work. In the wake of rising rice prices causing difficulty for poor Liberians this summer, China cooperated with the Government of Liberia to lower the export price of Chinese butter rice to Liberia.

CHINESE EMBASSY GIVES HEROIC SEND OFF TO LIBERIAN OLYMPIANS

15. (U) The Chinese Ambassador hosted a dinner on July 19 for members of the Liberian Olympic delegation before they left for Beijing. Three Liberian athletes (all based in the United States) represented Liberia in track and field at the Beijing Olympic Games. None of them qualified for a medal, but history was made because it was the first time that Liberians qualified in their own right by coming in under the Olympic's maximum qualifying time, instead of the country sending only a national representative team.

MUTUAL PRAISE AT DEVELOPMENT MINISTERS MEETING

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16. (SBU) President Sirleaf had warm words for China throughout the September 5-6 Development Ministers Conference, pointing out that its no-bid approach to the implementation of development projects brings results more quickly to the Liberian people (ref B). After lambasting the visiting Ministers about slow project implementation at the World Bank and UNDP, she said "The Chinese don't like bidding but they start on time." She gave the example of how China offered to rehabilitate Liberia's hydroelectric facility years ago, but "other donors" (i.e. the USG) called for a bidding process for the \$380 million rehabilitation project. President Sirleaf said the need for electricity is so urgent that Liberia will award it to any donor that can complete the project, without bidding.

17. (SBU) The Chinese Ambassador also praised President Sirleaf during the meeting saying that her queries into project delays are extremely helpful. He relays her concerns to Beijing, and those responsible for the delays are fired. He said China is committed to deliver what it has promised but noted that GOL officials need to "push, not just pull" the development process. He called for greater GOL focus on planning, and proposed every ministry have a booklet for donors highlighting priority projects in need of assistance, as Chinese ministries do.

WESTERN CLUSTER IRON ORE CONCESSION

18. (C) The GOL's decision September 12 to abruptly cancel the award of the Western Cluster iron ore concession (ref C) was a setback to China's efforts to secure a major iron ore mining operation in Liberia, and may have ruffled China-Liberian relations. An Inter-Ministerial Concession Committee (IMCC) rejected a top-ranked South African bidder following a negative due diligence report and recommended the GOL enter negotiations with second-ranked Sino Steel of China. Although the IMCC had acknowledged some concerns regarding Sino's financial standing and lack of mining experience, they suggested that the GOL could negotiate sufficient backing from the Chinese Government or other partners. Instead, the Cabinet declined to initiate negotiations, cancelled the entire tender process and ordered

a re-bid from scratch.

¶9. (C) In her explanation of the decision to donors (including the Chinese Ambassador) on September 17, the President took great pains to assure the group that the decision was an unavoidable effort to safeguard Liberia's "public perception" following allegations (none against Sino) that the bid process had been compromised. The re-bid imposes significant additional costs on Sino and leaves the field open for other competitors. A realistic timeline for re-bidding is 8-12 months. In the meantime, Chinese firms are among those shortlisted for the Bong Mines iron ore concession for which a winner is expected to be announced before year-end. China has also expressed interest in developing unproven reserves in the Wologisi Range.

COMMENT

¶10. (C) The Chinese Ambassador is clearly making overtures to the GOL to differentiate China's "successful South-South cooperation" with Liberia over the perceived conditional and intrusive assistance from the West. In his recent speeches, he offered China's recent rapid development experience as an example that Liberia could follow, implying that he brought expertise to the table the Western countries did not have. He also differentiated China from other donors by pointing out that "China attaches no political strings out of respect for the recipient" and uses as many local laborers as possible. His approach is working in that President Sirleaf used China's fast approach here as a comparative criticism over the bureaucratic process of other donors at the Development Ministers Conference. That said, China's expectation of "cooperation" is not a misnomer. Commercial losses from China's point of view -- like the cancellation of the Sino concession deal -- will not go unnoticed. Perhaps it is most correct to say, that while China claims there are no "political strings attached" to its aid, the implied economic ones are non-negotiable.

THOMAS-GREENFIELD